

**WORKING CAPITAL FUND BOARD  
MINUTES OF MEETING  
APRIL 29, 1998**

The meeting was brought to order by Archer Durham at 1:30 p.m.

Attendees: See attached list.

**(1) INTRODUCTION**

C The Chair acknowledged Maria Mikitka, OMB, and the representative of the NTEU.

C The Chair mentioned that the Fund, in partnership with the USDA Graduate School, had conducted three successful training sessions. Attendees included Fund Business Line personnel and customer representatives. Additional sessions may be scheduled if demand warrants, and Board members were asked to forward any perceived training needs to Pete Richards.

**(2) APPROVAL OF MINUTES OF MARCH 25, 1998 MEETING**

The Chair noted that changes were made to the minutes as drafted regarding changes to two names of presenters. The Board voted to approve the amended minutes.

**(3) FIRST HALF, FY 1998 STATUS REPORT**

(a) The Secretary provided the Board with a written status report on the results of Fund operation in the first half of FY 1998, and briefed them on significant highlights.

1. Relation of Earnings to Expenses. Overall the Fund broke even in the first half of the year, with earnings slightly exceeding cumulative costs. Two business lines that had financial losses in the first quarter were Desktop and Supplies. Desktop broke even in the second quarter, but decisions will need to be made regarding how to record losses carried forward from the first quarter. Cumulative losses in the Supply business line increased from \$124K in the first quarter to \$350K in the second.
2. Relation of Customer Payments to anticipated Customer Billings. The Fund has thus far collected 95% of estimated annual revenues. An area of concern is payments to the Payroll and Personnel Business Line, where only half of non-HR payments have been collected. Fund staff will send a memorandum to major customers who have not advanced payments for this business.

3. Relation of payments to Obligations by Business Line. There have been no violations of administrative control of funds procedures by Fund Business Lines. Funds available exceeded obligations by \$38M by the end of the first quarter and the rate of obligation is on track with annualized estimates.
  4. Changes in Budget Estimates by Business Line and Customer. The current estimate of customer spending on Fund activities, compared to the FY 1998 budget estimate, has dropped by 6%, from \$85.2M to \$79.2M.
  5. Anticipated Need to Change Pricing Policies or Make Substantial Changes in Operating Levels. Except for the Supplies Business Line no major changes are required for FY 1998. It is expected that the Fund will announce a reduction in the price charged for mail stops from \$10K to \$9.5K, in addition to a price reduction announced after the first quarter review.
  6. Financial Management System Progress. Progress has been made in the timeliness of bill issuance, but the target period for issuing bills has not been achieved due to problems with the Infinity system. The Fund is making use of mid-year cost accruals in DISCAS, with DISCAS records and Business Line records being essentially reconciled.
  7. Status of Operating Efficiency Metrics. There have been no major changes in usage patterns since the first quarter report.
- (b) Rick Loyd of the CFO organization presented the Board with a Statement of Financial Position and a Statement of Operations for the Fund as of March 31, 1998. Mr. Loyd emphasized that the Statements were prepared from unreconciled, unadjusted data and are, as yet, *unaudited*. He also noted that preparation of the Statements demonstrates that the Fund is moving towards relying on DISCAS to prepare financial statements.
- (c) Doug Beilan of Administrative Services made a presentation to the Board on measures being taken to stem losses in the Supplies Business Line. Mr Beilan provided detailed metrics on the Supply Lines performance during the first half of the year, and highlighted several problems, including an outmoded automated tracking system, faulty billing of costs for special orders, and excessive costs associated with maintaining self-service stores at locations with relatively low volumes of activity. In response, Administrative Services is:
- Investigating the acquisition of an alternative tracking system;
  - Introducing procedures to ensure that all purchases are captured;
  - Negotiating partnerships with customers in low volume stores that would reduce costs and assure customers of continued service; and

- Launching a customer survey to determine if the Department should move towards desktop purchasing of supplies, and close the self-service stores.

In discussion the following issues were addressed:

- Savings related to establishing partnerships with customers;
- Fair treatment of customers in satellite buildings; and
- How much people are willing to pay for convenience.

Subsequent to discussion, the Board agreed that Administrative Services would implement the "interim fixes," and that the Administrative Services Working Group would reconvene to develop further options to submit for Board consideration.

(4) **BUSINESS LINE BRIEFING: Payroll and Personnel**

Jean Morgan of the CFO briefed the Board on the status of the Payroll and Personnel Business Line. This Business Line is being developed by a Working Group with representatives from the Office of Personnel, The CIO, and the CFO, each of which has a portion of the current business. Nancy Tomford (HR) is the Business Line Service Manager and Bob Emond (CFO) is the Business Line Fund Manager. The presentation outlined the recent history of the activity and discussed the approach being taken to provide a modern and economical system by the end of FY 1999.

- An interim approach will involve: 1) assuring that the PAY portion of the system is Y2K compliant; 2) replacing the PERS portion of the system with the CHRIS, which is Y2K compliant; and 3) developing an interface from CHRIS to PAYS.
- The long-term approach involves: 1) implementing an integrated PeopleSoft product; and 2) continued evaluation of an appropriate provider for payroll operations and personnel/payroll systems services.

(5) **BUSINESS LINE BRIEFING: Information Services**

Vince Brooks of the Office of Administrative Services Working Group briefed the Board on pricing policy options for the proposed Information Services Business Line. The Line consists of the following activities:

1. Subscription & Translation
2. Commercial Timesharing
3. Executive Information System
4. Shared Library Network
5. Research
6. Infrastructure
7. Enhanced Information Services Development

Total annual costs are estimated to be \$7.4M, including \$1M in enhancements. The Working Group provided a menu of pricing options for each of the seven activities.

During discussion of the options for the first two activities, Board members raised questions concerning:

- What is the overhead for each activity?
- Of the estimated FY 1998 costs, what portion would each customer pay?
- What volume discounts could be realized from centralized acquisition of subscriptions and timesharing?
- Are there economies of scale, and if so, are there compelling corporate advantages to their realization?
- What portion of these services are Field Elements currently using?
- Would customers have the option of purchasing services directly from another source, such as permitting use of credit cards to acquire subscriptions?

The Board decided to defer further consideration of this Business line until the Working Group can provide answers to the questions raised. This would include an analysis of the current and future sources of funding.

(6) **BUSINESS LINE BRIEFING: Electronic Services**

Bill Sylvester of the CIO organization briefed the Board on progress made in developing this Business Line. Mr. Sylvester stated that he was not prepared to make a detailed presentation to the Board before the HQ Collaboration Group was briefed on proposed Business Line changes at its meeting on May 8. That meeting was supposed to be held on April 24, but was delayed. He will get back to the Board at the May meeting. In lieu of the detailed presentation he provided the following broad overview of what the Business Line would look like -- A single telecommunications company that would:

- Consist of telephones, networking, desktop and electronic services;
- Freeze current cost for three years;
- Standardize cost allocation mechanism;
- Flatline infrastructure costs; and
- Ease validation of service efforts performed by each program.

The board then viewed a short video presentation on the activities of the Electronic Services group.

(7) **FY 2000 PLANNING/BUDGETING PROCESS**

The Secretary briefed the Board on the issues they need to address in the second half of FY 1998, including receipt in June of FY 2000 Budget estimates from the Fund staff. He noted that the May meeting already had a full agenda, and that the addition of the deferred Information Services and Telecommunications issues would result in a very busy meeting. He will examine what issues can be delayed until the June meeting. The June meeting already includes IG Audit issues and budget guidance.

(8) **MEETING PLANS**

The next Board meeting has been scheduled for Wednesday, May 27, 1998, at 1:30 P.M.  
(8E-089).

(7) **ADJOURN**

Meeting was adjourned at 4:00 P.M.

**BOARD:**

CFO Betty Smedley  
 HR Archer Durham  
 GC Ralph Goldenberg  
 PO Peg Weathers  
 ER John R. Clark  
 FE Chuck Roy  
 NN Nancy Holmes  
 EI Steve Durbin  
 NE Arnie Sirulnik  
 EH Geoffrey J. Judge  
 WT Mike Mescher  
 HR Howard Borgstrom, Secretary

**PRESENTERS:**

Jean Morgan, CFO  
 Rich Loyd, CFO  
 Vince Brooks, HR  
 Bill Sylvester, HR  
 Doug Bielan, HR

**ATTENDEES:**

Tom Tamura  
 Linda Sye  
 Pete Grahn  
 Ron Shores  
 Mary Ann Wallace  
 Pat Hargett  
 Anne Warnick  
 Diane Friis  
 Bobbi Tierney  
 Ginny Bitler  
 Denise Diggins  
 Bob Sotile  
 Don Frizzel  
 Jeff Rubenstein  
 Amos Street  
 Charlie Morris  
 John Harrison  
 Nancy Tomford  
 Laurie Smith  
 Willie Mae Ingram  
 Brian Costlow  
 Ingrid Robinson  
 Brian Klug  
 George Hofman  
 Stanley Cobb  
 Mary Anderson  
 Howard Landon  
 Roscoe Harris  
 Chris O'Gwin

Dean Smith  
 Pete Richards  
 Maria Mikitka, OMB  
 Al Knight, NTEU  
 Jim Reid, CFO  
 Jack Lopez, CFO  
 Bob Emond, CFO  
 Bill White, CFO  
 Dan Phillips, EM  
 Leslie Gasperow, EH  
 Laura Brown, CI  
 Gail Stern, FE  
 Linda Whitted, PO  
 Lang Soo-Hoo, NE  
 Bernie Hite, RW  
 Barry Schrum, IG  
 Brian MacPherson, HG  
 Gwen Johnson, EIA